

## CHAPTER 03

### HUMAN RESOURCES

#### Overview

Human resources performs both line and staff functions which support and give direction to other departments regarding human resources. It incorporates Human Resource Provisioning comprising HR planning, recruitment, selection and induction as well as HR maintenance which comprises benefit structures, record keeping, turnover, advisory services, social responsibility, affirmative action and employment equity, health and safety, skills development, settlement of disputes (grievances and discipline), training, education and career management.

#### PERSONNEL EXPENDITURE

	2006/2007	2007/2008	2008/2009
	R	R	R
Salaries & Allowance	54 670 286	59 807 157	64 799 072
Overtime and Standby	4 220 316	3 956 215	6 645 434
Job Creation	3 748 904	5 355 335	6 887 340
Pension	8 625 822	9 536 714	9 936 179
Medical Aid	3 824 400	4 138 407	3 268 013
U.I.F.	551 083	591 412	645 678
Group Life	83 881	83 298	68 596
Councillors Allowances	8 191 754	9 005 163	9 89 2996
<b>TOTAL</b>	<b>83 916 446</b>	<b>92 473 701</b>	<b>102 143 308</b>

#### HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

Departments	Permanent Posts	Vacant Posts	Total Posts
Executive and Council	50	-	50
Municipal Manager's Office	19	5	24
Finance department	63	11	74
Corporate Services	66	2	68
Economic Development and Planning	153	4	157
Governance and Transformation	110	7	117
Public Safety	85	11	96
Engineering Services	84	55	139
Electricity	80	14	94
<b>TOTAL</b>	<b>710</b>	<b>109</b>	<b>819</b>

# SKILLS AND LEVEL OF EDUCATION ATTAINED I.R.O TRAINING IMPLEMENTED

Councillors, Senior Officials and Managers

No.	Skills Development Training	No.	Level Of Education Attained
1.	Asset Management Course	6	NQF 6
2.	CGCFS	2	NQF 6
3.	Disciplinary Enquiries	12	NQF 3
4	Statistical Capacity Building	3	NQF 5

Professionals

No.	Skills Development Training	No.	Level Of Education Attained
1.	Asset Management Course	4	NQF 6
2.	Computer Training	2	NQF 3
3.	Disciplinary Enquiries	5	NQF 3
4.	Health & Safety Training	1	NQF 2
5	Metval	1	NQF 5
6	Project Management	1	NQF 5
7	SAMRAS	1	NQF 4
8	Supervisory Management	6	NQF 6

Clerks

No.	Skills Development Training	No.	Level Of Education Attained
1.	Asset Management Course	10	NQF 6
2.	Computer Training	7	NQF 3
3.	Disciplinary Enquiries	10	NQF 3
4.	Health & Safety Representative	9	NQF 2
5.	Metval	1	NQF 5
6.	Project Management	2	NQF 4
7	SAMRAS HR	4	NQF 4
8	Supervisory Management	10	NQF 6
9	Supervisory Management	8	NQF 4
10	Supply Chain Management	3	NQF 4

### Technicians & Associate Professionals

1.	Apstar	1	NQF 5
2	Asset Management Course	5	NQF 6
3	Computer Training	5	NQF 3
4	Disciplinary Enquiries	5	NQF 3
5	Electrical Trade Test Phase 2+3	5	NQF 3
6	Health & Safety Representative	1	NQF 2
7	Metval	2	NQF 5
8	Project Management	3	NQF 4
9	SAMRAS HR	3	NQF 4
10	Supervisory Management	12	NQF 6

### Service & Sales Workers

No.	Skills Development Training	No.	Level Of Education Attained
1.	Asset Management Course	2	NQF 6
2.	Disciplinary Enquiries	3	NQF 3
3.	Health & Safety Representative	9	NQF 2
4	Statistical Capacity Building	1	NQF 3
5	Supervisory Management	4	NQF 6
6		4	NQF 4

### Craft and Related Trade Workers

No.	Skills Development Training	No.	Level Of Education Attained
1.	Asset Management Course	1	NQF 6
2.	Disciplinary Enquiries	2	NQF 3
3.	Health & Safety Representative	4	NQF 2
4	Project Management	2	NQF 3

### Plant and Machine Operators

No.	Skills Development Training	No.	Level Of Education Attained
1.	Asset Management Course	1	NQF 6
2.	Disciplinary Enquiries	3	NQF 3
3.	Health & Safety Representative	3	NQF 2
4	Project Management	2	NQF 3

### Elementary Occupations

No.	Skills Development Training	No.	Level Of Education Attained
1	Disciplinary Enquiries	1	NQF 3
2	Health & Safety Representative	4	NQF 2

Bursaries Allocated: Internal (2008/2009)

Total Students	Field of Study	Progress	Amount Paid
2	Project Management	Satisfactory	R 11,800.00
3	Business Management	Satisfactory	R 16,200.00
5	Supply Chain Management	Satisfactory	R 27,610.00
3	Public Management	Satisfactory	R 11,705.00
1	Bachelor Of Administration	Satisfactory	R 9,375.00
1	Managing Employment Process	Satisfactory	R 990.00
1	Bachelor Of Public Administration	Satisfactory	R 7,250.00
2	Civil Engineering	Satisfactory	R 9,611.00
1	Real Estate	Satisfactory	R 1,035.00
1	Bachelor of Law	Satisfactory	R 2,240.00
2	Bachelor of Commerce	Satisfactory	R 6,565.00
1	Certificate in Accounting	Satisfactory	R 4,660.00
1	Code 14 Drivers' License	Satisfactory	R 2,900.00
1	Business Communication	Satisfactory	R 3,200.00
1	Basic Computer Skills	Satisfactory	R 1,250.00
1	Human Resource Management	Satisfactory	R 4,315.00
2	Masters in Business Admin	Satisfactory	R 78,000.00
1	Bachelor of Information Science	Satisfactory	R 1,750.00
4	Nursing Administration	Satisfactory	R 31,536.00
1	Library Information	Satisfactory	R 5,250.00
1	Education and Training	Satisfactory	R 8,250.00

### PENSION AND MEDICAL AID FUNDS

#### Pension Fund

The composition of membership per pension and provident fund was as follows: -

Pension Fund	Number of Members
Councillors Pension Fund	28
Sala Pension Fund	16
Natal Joint Municipal Pension Fund	520
National Treasury Pension Fund (GEPF)	28
<b>Total</b>	<b>592</b>

### Medical Aid Funds

Membership to the medical aid funds was as follows: -

Medical Aid Fund	Number of Members
LA Health/Discovery	9
Bonitas	48
KeyHealth	96
Hosmed	0
Sanwumed	66
<b>Total</b>	<b>219</b>

### DISCLOSURE: POLITICAL OFFICE BEARERS AND SENIOR OFFICIALS

The remuneration of political office bearers is as follows: -

Designation	Salary	Travel	Pension Fund	Medical Aid	Cell	Total
Mayor	R 457175.04	R 64119.96	R -	R 17280	R 15984	R 554559
Deputy Mayor & Speaker	666486.96	77979.96	99,972.96	17280	31968	893,687.88
08 Exco Cllr	1261825.82	282988.23	162766.54	34560	78273.58	1820414.17
39 Cllr	4994756.1	828667.17	382484.68	33276	385151.02	6624335.69
<b>TOTAL</b>	<b>7380243.92</b>	<b>1253755.32</b>	<b>645224.18</b>	<b>102396</b>	<b>511376.6</b>	<b>9892996.74</b>

The remuneration of senior officials is as follows: -

Designation	Salary Overtime	Bonus	Travel	Housing	Pension Fund	Medical Aid	Other	Total Cost
Municipal Manager	R 664704.68	R 89656.63	R 102204	R	R	R	R	R 836565.31
Chief Financial Officer	267037.56	22253.13	76266.24		48068.04	24786	159194.59	597605.56
Manager Corporate Services	267037.56	22253.13	138611.18	8754	66803.88	22348.80	64080.62	589889.17
Manager Finance	-							
Public Safety	267037.56	22253.13	139856.88		66847.08	22348.80	54946.13	573289.59
Executive Manager Governance and Transformation	573960.23	53736.51	60000.00					687686.74
Executive Manager Dev.& Planning	469893.48	53736.51	164056.80					687686.79

Designation	Salary/ Overtime	Bonus	Travel	Hous- ing	Pension Fund	Medical Aid	Other	Total Cost
Executive Manager	505852.71	70243.79	120000.00					696096.50
Electrical Engineering								
Manager Engineering	267037.56	22253.13	142467.24	8754	66760.68		59882.96	567155.57
TOTAL	3262551.34	356385.96	943462.34	17508	248479.68	69483.6	338104.3	5235975.22

STAFF ESTABLISHMENT AT SENIOR MANAGEMENT LEVEL

RACE	GENDER	REPORTING DIRECTLY TO THE MUNICIPAL MANAGER
AFRICAN	MALES	2
AFRICAN	FEMALES	0
WHITES	MALES	3
WHITES	FEMALES	0
INDIANS	MALES	2
INDIAN	FEMALES	1

## CHAPTER 04

### REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF EMNAMBITHI/LADYSMITH MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I have audited the accompanying financial statements of the Emnambithi/Ladysmith Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 01 to 46.

##### The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made



by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq.* of the Standard of GRAP, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Emmanbithi/Ladysmith Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis for qualified opinion**

##### **Property, plant and equipment**

8. As described in note 8 to the annual financial statements, property plant and equipment is disclosed at R744 190 624. The municipality applied the Standard of GRAP (GRAP 17), Property, plant and equipment prospectively as at 30 June 2009 which is contrary to the requirements of Standards of GRAP which states that with the initial adoption of a standard, a retrospective application is required. The accounting officer believes that it was not possible to obtain a reliable measure of the deemed cost value of assets due to the historical lack of detail of infrastructure asset information.

The consequent adjustment to property, plant and equipment, depreciation, accumulated surpluses and accumulated depreciation as well as the resultant impact on the cash flow statement has not been determined. I disagree with the accounting officer that the retrospective application of GRAP 17 could not be applied.

##### **Investment property**

9. The municipality must recognise and measure investment property at cost or fair value in accordance with GRAP 16: Investment Property. Included in the fixed asset register is vacant land of R31 294 000. As the purpose or use of the land is undetermined it should have, in accordance with GRAP 16: Investment Property, been recognised as investment property. As a result, investment property and depreciation or fair value reserve are understated by unquantifiable amounts and property, plant and equipment is overstated by R31 294 000.

##### **Accounts receivable**

10. As described in note 12 to the financial statements, accounts receivable is disclosed at R20,2 million. Included in accounts receivable is an impairment of R83 269 194. I could not confirm the accuracy of the impairment to accounts receivable due to the absence of a system to properly classify debtors according to their credit risk characteristics. Moreover, no supporting information was available to permit the application of alternate procedures. Consequently, the valuation of the accounts receivable of R20,2 million in the annual financial statements could not be confirmed.



## **Qualified opinion**

11. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Emnambithi/Ladysmith Municipality as at 30 June 2009 and its financial performance and cash flows for the year then ended, in accordance with the Standards of GRAP and in the manner required by the MFMA.

## **Emphasis of matter**

I draw attention to the following matters on which I do not express a qualified opinion:

### **Restatement of corresponding figures**

12. As disclosed in note 26 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of a change in accounting policy and errors discovered during 2008/2009 in the financial statements of the municipality at, and for the year ended, 30 June 2008.

### **Material losses**

13. As disclosed in note 22 to the financial statements, electricity distribution losses totalling 34 million Kwh with a value of R16 082 444 was incurred during the year.

## **Other matters**

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

### **Unaudited supplementary schedules**

14. The municipality provided supplementary information in Annexures E1 and E2 to the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1: *Presentation of Financial Statements*. The supplementary budget information and other supplementary information set out on pages 44 to 46 does not form part of the financial statements and is presented as additional information. I have not audited these schedules accordingly, I do not express an opinion thereon.

### **Governance framework**

15. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

### **Internal control deficiencies**

16. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.)

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
8	Property, plant and equipment			6		1
9	Investment Property			6		1
10	Accounts receivable			3		1

17. Management did not ensure ongoing monitoring and supervision of the valuation of property, plant and equipment resulting in the incorrect application of GRAP 16 and 17. In addition, the absence of an adequate process for classifying debtors resulted in accounts receivable being misstated.

Legend						
CE = Control environment						
1	The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.					
2	Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.					
3	Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.					
4	Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.					
5	The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.					
6	Management's philosophy and operating style do not promote effective control over financial reporting.					
7	The entity does not have individuals competent in financial reporting and related matters.					
RA = Risk assessment						
1	Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.					
2	The entity does not identify risks to the achievement of financial reporting objectives.					
3	The entity does not analyse the likelihood and impact of the risks identified.					
4	The entity does not determine a risk strategy/action plan to manage identified risks.					
5	The potential for material misstatement due to fraud is not considered.					
CA = Control activities						
1	There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.					
2	General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.					
3	Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.					
4	Actions are not taken to address risks to the achievement of financial reporting objectives.					
5	Control activities are not selected and developed to mitigate risks over financial reporting.					
6	Policies and procedures related to financial reporting are not established and communicated.					
7	Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.					
IC = Information and communication						
1	Pertinent information is not identified and captured in a form and time frame to support financial reporting.					
2	Information required to implement internal control is not available to personnel to enable internal control responsibilities.					
3	Communications do not enable and support the understanding and execution of internal					